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# HOUSE BILL No. 1535

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3-1-3.5; IC 6-3-2-20.

**Synopsis:** Public safety volunteer deduction. Provides an adjusted gross income tax deduction of \$500 to an individual who serves as a volunteer firefighter, volunteer paramedic, or volunteer emergency medical technician during at least six months of the taxable year.

**Effective:** January 1, 2005 (retroactive).

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**Dodge, Ruppel, Davis, Bischoff**

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January 18, 2005, read first time and referred to Committee on Ways and Means.

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Introduced

First Regular Session 114th General Assembly (2005)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2004 Regular Session of the General Assembly.

## HOUSE BILL No. 1535

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A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

*Be it enacted by the General Assembly of the State of Indiana:*

- 1       SECTION 1. IC 6-3-1-3.5 IS AMENDED TO READ AS  
2       FOLLOWS [EFFECTIVE JANUARY 1, 2005 (RETROACTIVE)]:  
3       Sec. 3.5. When used in this article, the term "adjusted gross income"  
4       shall mean the following:  
5       (a) In the case of all individuals, "adjusted gross income" (as  
6       defined in Section 62 of the Internal Revenue Code), modified as  
7       follows:  
8       (1) Subtract income that is exempt from taxation under this article  
9       by the Constitution and statutes of the United States.  
10       (2) Add an amount equal to any deduction or deductions allowed  
11       or allowable pursuant to Section 62 of the Internal Revenue Code  
12       for taxes based on or measured by income and levied at the state  
13       level by any state of the United States.  
14       (3) Subtract one thousand dollars (\$1,000), or in the case of a  
15       joint return filed by a husband and wife, subtract for each spouse  
16       one thousand dollars (\$1,000).  
17       (4) Subtract one thousand dollars (\$1,000) for:

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- 1 (A) each of the exemptions provided by Section 151(c) of the
- 2 Internal Revenue Code;
- 3 (B) each additional amount allowable under Section 63(f) of
- 4 the Internal Revenue Code; and
- 5 (C) the spouse of the taxpayer if a separate return is made by
- 6 the taxpayer and if the spouse, for the calendar year in which
- 7 the taxable year of the taxpayer begins, has no gross income
- 8 and is not the dependent of another taxpayer.
- 9 (5) Subtract:
- 10 (A) one thousand five hundred dollars (\$1,500) for each of the
- 11 exemptions allowed under Section 151(c)(1)(B) of the Internal
- 12 Revenue Code for taxable years beginning after December 31,
- 13 1996; and
- 14 (B) five hundred dollars (\$500) for each additional amount
- 15 allowable under Section 63(f)(1) of the Internal Revenue Code
- 16 if the adjusted gross income of the taxpayer, or the taxpayer
- 17 and the taxpayer's spouse in the case of a joint return, is less
- 18 than forty thousand dollars (\$40,000).
- 19 This amount is in addition to the amount subtracted under
- 20 subdivision (4).
- 21 (6) Subtract an amount equal to the lesser of:
- 22 (A) that part of the individual's adjusted gross income (as
- 23 defined in Section 62 of the Internal Revenue Code) for that
- 24 taxable year that is subject to a tax that is imposed by a
- 25 political subdivision of another state and that is imposed on or
- 26 measured by income; or
- 27 (B) two thousand dollars (\$2,000).
- 28 (7) Add an amount equal to the total capital gain portion of a
- 29 lump sum distribution (as defined in Section 402(e)(4)(D) of the
- 30 Internal Revenue Code) if the lump sum distribution is received
- 31 by the individual during the taxable year and if the capital gain
- 32 portion of the distribution is taxed in the manner provided in
- 33 Section 402 of the Internal Revenue Code.
- 34 (8) Subtract any amounts included in federal adjusted gross
- 35 income under Section 111 of the Internal Revenue Code as a
- 36 recovery of items previously deducted as an itemized deduction
- 37 from adjusted gross income.
- 38 (9) Subtract any amounts included in federal adjusted gross
- 39 income under the Internal Revenue Code which amounts were
- 40 received by the individual as supplemental railroad retirement
- 41 annuities under 45 U.S.C. 231 and which are not deductible under
- 42 subdivision (1).

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(10) Add an amount equal to the deduction allowed under Section 221 of the Internal Revenue Code for married couples filing joint returns if the taxable year began before January 1, 1987.

(11) Add an amount equal to the interest excluded from federal gross income by the individual for the taxable year under Section 128 of the Internal Revenue Code if the taxable year began before January 1, 1985.

(12) Subtract an amount equal to the amount of federal Social Security and Railroad Retirement benefits included in a taxpayer's federal gross income by Section 86 of the Internal Revenue Code.

(13) In the case of a nonresident taxpayer or a resident taxpayer residing in Indiana for a period of less than the taxpayer's entire taxable year, the total amount of the deductions allowed pursuant to subdivisions (3), (4), (5), and (6) shall be reduced to an amount which bears the same ratio to the total as the taxpayer's income taxable in Indiana bears to the taxpayer's total income.

(14) In the case of an individual who is a recipient of assistance under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7, subtract an amount equal to that portion of the individual's adjusted gross income with respect to which the individual is not allowed under federal law to retain an amount to pay state and local income taxes.

(15) In the case of an eligible individual, subtract the amount of a Holocaust victim's settlement payment included in the individual's federal adjusted gross income.

(16) For taxable years beginning after December 31, 1999, subtract an amount equal to the portion of any premiums paid during the taxable year by the taxpayer for a qualified long term care policy (as defined in IC 12-15-39.6-5) for the taxpayer or the taxpayer's spouse, or both.

(17) Subtract an amount equal to the lesser of:

(A) for a taxable year:

(i) including any part of 2004, the amount determined under subsection (f); and

(ii) beginning after December 31, 2004, two thousand five hundred dollars (\$2,500); or

(B) the amount of property taxes that are paid during the taxable year in Indiana by the individual on the individual's principal place of residence.

(18) Subtract an amount equal to the amount of a September 11 terrorist attack settlement payment included in the individual's federal adjusted gross income.

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(19) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k)(2)(C)(iii) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(20) Add an amount equal to any deduction allowed under Section 172 of the Internal Revenue Code.

**(21) Subtract an amount equal to any deduction for which the individual is eligible under IC 6-3-2.**

(b) In the case of corporations, the same as "taxable income" (as defined in Section 63 of the Internal Revenue Code) adjusted as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 170 of the Internal Revenue Code.

(3) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 63 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States.

(4) Subtract an amount equal to the amount included in the corporation's taxable income under Section 78 of the Internal Revenue Code.

(5) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k)(2)(C)(iii) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(6) Add an amount equal to any deduction allowed under Section 172 of the Internal Revenue Code.

(c) In the case of life insurance companies (as defined in Section 816(a) of the Internal Revenue Code) that are organized under Indiana law, the same as "life insurance company taxable income" (as defined in Section 801 of the Internal Revenue Code), adjusted as follows:

(1) Subtract income that is exempt from taxation under this article

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by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction allowed or allowable under Section 170 of the Internal Revenue Code.

(3) Add an amount equal to a deduction allowed or allowable under Section 805 or Section 831(c) of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state.

(4) Subtract an amount equal to the amount included in the company's taxable income under Section 78 of the Internal Revenue Code.

(5) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k)(2)(C)(iii) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(6) Add an amount equal to any deduction allowed under Section 172 or Section 810 of the Internal Revenue Code.

(d) In the case of insurance companies subject to tax under Section 831 of the Internal Revenue Code and organized under Indiana law, the same as "taxable income" (as defined in Section 832 of the Internal Revenue Code), adjusted as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction allowed or allowable under Section 170 of the Internal Revenue Code.

(3) Add an amount equal to a deduction allowed or allowable under Section 805 or Section 831(c) of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state.

(4) Subtract an amount equal to the amount included in the company's taxable income under Section 78 of the Internal Revenue Code.

(5) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k)(2)(C)(iii) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was

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placed in service.

(6) Add an amount equal to any deduction allowed under Section 172 of the Internal Revenue Code.

(e) In the case of trusts and estates, "taxable income" (as defined for trusts and estates in Section 641(b) of the Internal Revenue Code) adjusted as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Subtract an amount equal to the amount of a September 11 terrorist attack settlement payment included in the federal adjusted gross income of the estate of a victim of the September 11 terrorist attack or a trust to the extent the trust benefits a victim of the September 11 terrorist attack.

(3) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k)(2)(C)(iii) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(4) Add an amount equal to any deduction allowed under Section 172 of the Internal Revenue Code.

(f) This subsection applies only to the extent that an individual paid property taxes in 2004 that were imposed for the March 1, 2002, assessment date or the January 15, 2003, assessment date. The maximum amount of the deduction under subsection (a)(17) is equal to the amount determined under STEP FIVE of the following formula:

STEP ONE: Determine the amount of property taxes that the taxpayer paid after December 31, 2003, in the taxable year for property taxes imposed for the March 1, 2002, assessment date and the January 15, 2003, assessment date.

STEP TWO: Determine the amount of property taxes that the taxpayer paid in the taxable year for the March 1, 2003, assessment date and the January 15, 2004, assessment date.

STEP THREE: Determine the result of the STEP ONE amount divided by the STEP TWO amount.

STEP FOUR: Multiply the STEP ~~THREE~~ **FOUR** amount by two thousand five hundred dollars (\$2,500).

STEP FIVE: Determine the sum of the STEP THREE amount and two thousand five hundred dollars (\$2,500).

SECTION 2. IC 6-3-2-20 IS ADDED TO THE INDIANA CODE

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AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE  
JANUARY 1, 2005 (RETROACTIVE)]: **Sec. 20. (a) This section  
applies to the following individuals:**

(1) A volunteer firefighter (as defined in IC 36-8-12-2).

(2) An emergency medical technician who works in a  
volunteer capacity.

(3) A paramedic (as defined in IC 16-18-2-266) who works in  
a volunteer capacity.

(b) As used in this section, "emergency medical technician"  
refers to the following:

(1) An emergency medical technician (as defined in  
IC 16-18-2-112).

(2) An emergency medical technician-basic advanced (as  
defined in IC 16-18-2-112.5).

(3) An emergency medical technician-intermediate (as defined  
in IC 16-18-2-112.7).

(c) Each taxable year, an individual who serves in a capacity as  
described in subsection (a) in Indiana during at least six (6) months  
of the individual's taxable year is entitled to a deduction of five  
hundred dollars (\$500) from the individual's adjusted gross income  
for the taxable year.

SECTION 3. [EFFECTIVE JANUARY 1, 2005 (RETROACTIVE)]  
IC 6-3-2-20, as added by this act, applies only to taxable years  
beginning after December 31, 2004.

SECTION 4. An emergency is declared for this act.

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